



THE COMPANIES OF SPERRY AND HUTCHINSON



A BRIEF HISTORY

From its birth in 1896...

The Sperry and Hutchinson Company remained essentially a one-product company—S&H Green Stamps—for 70 years. During most of those years the company was small and, until 1966, under private ownership. Today, it is a diversified public corporation (NYSE) with 15 business units and total revenues exceeding \$600 million.

Not that S&H Green Stamps are any less important to Sperry and Hutchinson—nor has the trading stamp concept changed much. When Thomas A. Sperry and Shelley B. Hutchinson began selling the S&H Green Stamp service eight decades ago, they based it on the age-old idea of “something extra.” The original idea whereby retailers offer the extra value of S&H Green Stamps to attract new customers and to encourage greater loyalty among regular shoppers remains intact today. And, for the majority of those retailers, the practice of one stamp for each 10-cent purchase has not altered since Messrs. Sperry and Hutchinson conceived of it.

The growth of the company during its early years was slow, but steady:

- By the 1920's it was doing business in almost every state.

- Except for the Great Depression, business improved during the next two decades and by the end of the 40's the company posted its first \$1 million sales week.

- Business boomed during the 1950's and multiplied almost ten-fold in ten years.

- By 1969, stamp sales had grown to \$369 million, an all-time high.

- The 1960's also saw the company starting to take on its present diversified form. Additional promotions were developed for retailers, bankers, and major business firms.

- In 1966, the corporation's common stock (SNH) was sold to the public for the first time.

- And in 1967, with the purchase of Bigelow-Sanford, the oldest and one of the nation's largest carpet companies, The Sperry and Hutchinson Company took its first substantial step toward diversification.

Acquisitions continued into the early 1970's and today, the corporation, through its more than 16,000 employees, is engaged in business on three broad fronts: promotional services, interior furnishings and business/consumer services.

THE SPERRY AND HUTCHINSON COMPANY TODAY

S&H PROMOTIONAL SERVICES

		FOUNDED	ACQUIRED
S&H Green Stamps	The world's largest trading stamp service	1896	—
S&H Motivation and Travel	Incentive programs for industry	1963	**
S&H Financial Promotions	Consumer motivation programs for banks and savings and loan associations	1974	**
S&H Continuities	Merchandise promotions for retailers	1971	**
S&H Sperry's	Mail order sales and services	1973	**

FURNISHINGS DIVISION

American Drew	Bedroom and dining room furniture	1927	1970
Bigelow-Sanford	The nation's oldest maker of carpets and rugs	1825	1967
Bigelow-Canada	Carpets and rugs	1970	—
Buck Creek Industries	Synthetic yarn processor	1908	1973
Daystrom Furniture	Dining area furniture	1934	1971
The Gunlocke Company	Wood seating, desks and library furniture	1902	1969
Homecrest Industries	Indoor and outdoor casual furniture	1945	1973
Interlock Furniture	Modular wall systems	1972	**
Lea Industries	Bedroom and dining room furniture	1869	1969
Pontiac Furniture	Upholstered recliners and swivel rockers	1952	1973

SERVICES DIVISION

Bayly, Martin & Fay	Insurance	1923	1971
The State National Bank of Connecticut	Banking	1834	1968
Hens & Kelly	Department store chain	1892	1967
Magna Laboratories	Dental laboratories	1967	1972

** Internally developed

S&H PROMOTIONAL SERVICES

From its earliest days, Sperry and Hutchinson was the largest trading stamp company and it has remained so through the decades, its lead never seriously challenged. It is the only trading stamp service to achieve national distribution. Today, as in the past, retailers offer the extra value of S&H Green Stamps to attract new customers and to encourage greater loyalty among regular customers.

Over the past several years, what is now known as S&H Promotional Services has expanded beyond trading stamps and has instituted an array of promotional enterprises which capitalize on its established motivational experience and physical distribution capabilities.



SPERRY AND HUTCHINSON

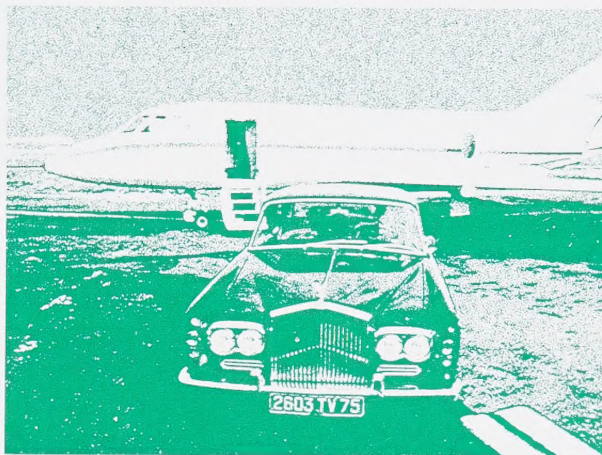


VALUE 1 2/3 MIL
ESTABLISHED
1896

SPERRY AND HUTCHINSON



VALUE 1 2/3 MIL



TOTAL MOTIVATION—through (top l-r) commodity continuity programs for retailers; S&H Green Stamps even at truck stops; six distribution centers filled with top-brand merchandise; and travel incentives, too. (Bottom l-r) There are more than 500 S&H redemption centers; supermarkets are the leading distributors of stamps; bank promotions are one of an array of developing motivational services.

S&H PROMOTIONAL SERVICES

S&H GREEN STAMPS

Today, more than 16,000 U.S. business firms and retail establishments give S&H Green Stamps including supermarkets, service stations, drug stores, department stores, dry cleaners, florists and many other kinds of retailers. In recent years, S&H Green Stamps have also become popular with car rentals and at airport refueling stations, truck stops, motels and bowling alleys.

More than 1,400 different items of merchandise are available for S&H Green Stamps and are offered in S&H's Ideabook, published yearly. Merchandise is distributed by S&H's six warehouses, and stamps can be redeemed at approximately 500 redemption centers across the nation, or by mail order.

About 34 per cent of all U.S. households presently save trading stamps, according to studies conducted by Marketing Information Service of Atlanta, Georgia. S&H Green Stamps are saved in one-quarter of all American homes.

S&H MOTIVATION AND TRAVEL

S&H's incentive operation, one of the three largest in its field, has become a major supplier of motivational programs through which indus-

try stimulates employees and dealers to greater effort in such areas as sales, safety and attendance. A selection of distinguished merchandise is frequently used as the incentive.

Travel became the glamour award for incentive programs during the 1970's and S&H became highly effective in creating and conducting campaigns in which thousands of winners enjoy exotic vacations at the world's most popular tourist meccas.

Banks, manufacturers, electronics companies, airlines, automotive companies and many others have also found S&H Green Stamps successful as motivators when offered through a systematic incentive program.

S&H FINANCIAL PROMOTIONS

This program, begun in 1974, creates merchandise promotions used by banks and savings and loan associations to attract new deposits, promote branch openings and generate loan activity. Rapid growth has positioned this new venture among the leaders in its field.

S&H CONTINUITIES

Begun in 1971, this promotional program offers sets of items—such as dinnerware, flat-

ware or books—to supermarket shoppers a piece at a time over a period of weeks at very favorable prices. S&H's continuity operation has grown rapidly and is now among the three largest in a highly competitive industry.

S&H SPERRY'S

Sperry's involves joint efforts in which the division produces catalogs and direct mail offers of merchandise which credit card companies send to their customers.

Additionally, Sperry's offers brand name merchandise to consumers through the mail at attractive prices with the added bonus of S&H Green Stamps.

Orders for both Sperry's programs are fulfilled through the division's National Mail Order Center in Cincinnati.

FACTS ABOUT S&H GREEN STAMPS...

- ☐ S&H Green Stamps are saved in 18 million households—25% of all homes in America.
- ☐ Nearly three-fourths of families that save stamps save S&H Green Stamps.
- ☐ S&H Green Stamps are preferred by more families than all other stamps combined.
- ☐ Sixty-nine per cent of all households in America say they like stamps.
- ☐ On the average, 20 million people visit S&H redemption centers every year.
- ☐ S&H purchases quality, brand-name merchandise from more than 600 manufacturers.
- ☐ S&H maintains an inventory of six million pieces of merchandise in its redemption centers and warehouses throughout the United States.
- ☐ S&H prints more than 10 billion stamps a year.
- ☐ Ninety-five per cent of all S&H Green Stamps are ultimately redeemed.
- ☐ A book of 1,200 S&H Green Stamps has an average retail value of approximately \$3.00 in merchandise.
- ☐ More than 4,000 people are employed by S&H Promotional Services.
- ☐ Thousands of charitable and civic groups throughout the country have collected stamps for worthwhile causes—kidney machines, Braille readers, zoo animals and airplanes.

THE FURNISHINGS DIVISION

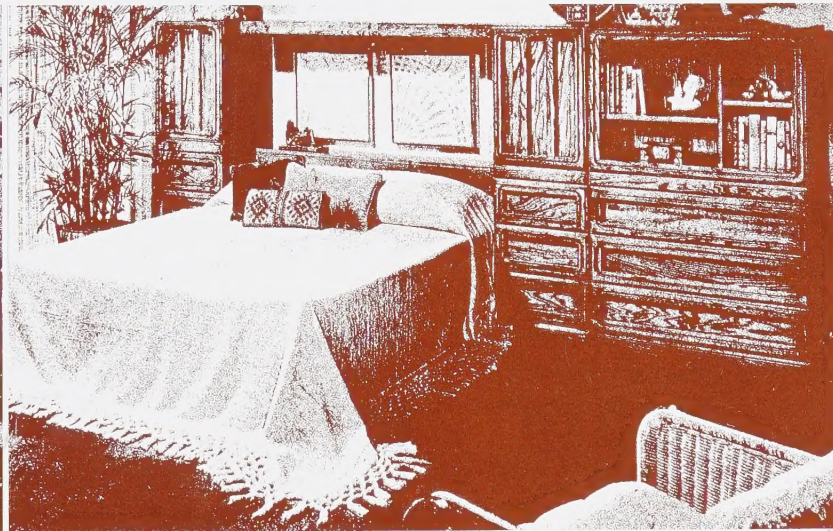
Sperry and Hutchinson entered the furnishings industry in 1967 and over the next six years expanded its holdings until, by 1973, its Furnishings Division was comprised of 10 units engaged in the manufacture and marketing of carpet, furniture and yarn for residential and commercial markets. It is now one of the largest producers of furniture and carpet in the United States.

The units existing today were brought into the company largely by acquisition and then expanded by substantial capital expenditures. In the case of almost every company, there have been significant plant expansions since acquisition.

Although the division sells most of its products for the residential market, it is also engaged in the production of carpet and furniture for commercial institutions, such as offices, schools and libraries.

The division's products are distributed through thousands of retailers throughout the country. As a whole, the division has nearly 10,000 employees, 28 plants with a total of over six million square feet and showrooms in all major markets.





ALL AROUND THE HOUSE—with (top l-r) a comfortable Pontiac action chair, sleek wall systems by Interlock, and Lea's Geometrik's bedroom groupings with flexible modular units. (Bottom l-r) In offices, too, with Gunlocke's Lyrics desks and chairs. Homecrest's casuals are for indoor (middle) and outdoor (right) living. Carpet by Bigelow of course.

THE FURNISHINGS DIVISION

AMERICAN DREW

American Drew manufactures high quality, all-wood furniture that is sold in the medium-to-high price range. Although most of its products are made for the bedroom and dining room, it has begun making furniture, such as wall units, that are adaptable for other rooms.

The company, founded in 1927, has been a leader in three areas that have come increasingly to the forefront of industry concern: prompt and reliable deliveries, complaint handling and dealer and consumer education. It was one of the first furniture manufacturers to prepare audio-visual presentations for schools on furniture and its care.

Its consumer advertising program, featuring American Drew's Tree of Promise trademark, is considered one of the most successful in the business.

American Drew furniture is sold by some 4,000 dealers throughout the United States, principally smaller, independent stores.

The company's headquarters and manufacturing complex are in North Wilkesboro, North Carolina.

BIGELOW-SANFORD

Founded in 1825, the country's oldest carpet company bears the names of one of the titans of textile invention, Erastus Bigelow, and one of its early marketing leaders, Stephen Sanford.

Bigelow carries on both traditions today. Rich in patents, its reputation for quality products is one of its leading strengths. It was one of the first carpet companies to develop strong dealer support programs and it continues to emphasize them today. It vies constantly for fashion leadership.

Bigelow was the first carpet company to apply Scotchgard[®] to its entire line of residential carpets, and it has what is believed to be the most aggressive consumer education program in the industry. The program includes labels on all carpets grading them according to their suitability for certain areas of the home, a mail order decorating service, a movie on carpet selection and a range of booklets on carpet care selection and decorating.

The company's contract division, which sells carpet for use in offices, schools and other institutions, is the largest in the industry.

Bigelow carpet, aimed at the medium-to-high price market, is sold through some 5,000 dealers of all kinds. Its headquarters are in Greenville, South Carolina, and it has plants in that state as well as in Georgia and California.

BIGELOW-CANADA

Bigelow-Canada, established in 1970, is one of the leading Canadian carpet manufacturers.

It produces over 30 grades of tufted carpet that are specifically designed to meet the needs of the Canadian carpet market.

The company's manufacturing and warehousing facility is located in Ste. Agathe des Monts in Quebec.

BUCK CREEK

Buck Creek, a Sperry and Hutchinson company since 1973, is a major processor of synthetic yarn for the carpet and rug industry.

The company began as a cotton spinning and weaving plant in 1908. Today it ranks among the nation's leading companies in its field.

Buck Creek's major product is spun synthetic carpet yarn, customized to the specifications of carpet manufacturers. While most of the company's volume is nylon and polyester yarn, it

can produce any type of synthetic fiber.

Manufacturing facilities total 283,500 sq. ft., including yarn spinning plants in Ft. Oglethorpe, Georgia; Columbiana, Alabama and Dillon, South Carolina.

DAYSTROM FURNITURE

Daystrom has been for years a leading producer of casual dining area furniture made of metal, plastic and glass. It has been a pioneer in the use of plastics and plastic laminates since its founding in 1934.

In recent years, Daystrom has begun to integrate wood into the product line, both producing all-wood chairs and combining wood with glass and plastic to achieve a clean, contemporary look.

Daystrom's furniture—tables, chairs, buffets, hutches and bars—is generally in the medium price range, and is characterized by distinctive, contemporary styling.

The company's products are sold through several thousand dealers of all sizes.

Its headquarters and manufacturing facilities are in South Boston, Virginia.

THE FURNISHINGS DIVISION

THE GUNLOCKE COMPANY

Gunlocke manufactures excellent wood office and institutional furniture.

Its customers include many of the nation's major corporations and educational institutions, more than half of the state legislatures, many city and county governments and the United States government. Almost every U.S. President since Herbert Hoover has had a Gunlocke chair in the Oval Office. And cabinet members traditionally sit in Gunlocke chairs.

Gunlocke began as a manufacturer of residential furniture in 1902, but soon switched to the office and institutional market. For decades thereafter, the company concentrated on chair manufacturing. Today Gunlocke produces a full line of chairs, desks, tables, lounge and library furniture.

The company's headquarters and principal plant are in Wayland, New York. It also has plants in Texas and California.

HOMECREST INDUSTRIES

Homecrest, combining the inventive mind of its founder and an expertise in working with steel, has become a successful producer of patio and outdoor furniture. It also manufactures

a range of lower-priced indoor casual furniture.

The company entered the furniture business in 1956 with the invention of a swivel/rocker mechanism that led to the production of a sturdy, inexpensive chair that is still one of the company's best sellers. One of Homecrest's newest products is a unique contemporary chair which can swivel, rock or recline from any position. It is available in indoor and outdoor versions.

Some 2,500 dealers throughout the United States, Puerto Rico and Canada sell Homecrest products.

The company's headquarters and plant are in Wadena, Minnesota.

INTERLOCK FURNITURE

Formed in 1972 as a developmental venture, Interlock has earned a reputation as a quality and style leader in the production of medium-priced wall systems.

The systems, available both assembled and ready-to-assemble, are made of low-pressure, thermally fused laminates, which are among the most durable furniture surface materials.

Interlock styles are clean and contemporary and their products are frequently seen by dealers as alternatives to the more expensive European

wall systems.

The company's headquarters and plant are in Waynesboro, Virginia.

LEA INDUSTRIES

Lea Industries has emerged from a period of rapid growth during the early 1970's to become one of the nation's leading manufacturers of bedroom furniture.

The present company was formed through the integration of three separate divisions of the original company and through the purchase of three additional manufacturing plants.

Today, Lea offers more than 20 groups of furniture. Although its products are principally for the bedroom, Lea is earning an expanded reputation for its around-the-wall correlates and modular collections, which are appropriate for other rooms.

Its dominant style is American Traditional, but the line includes all major designs, from contemporary to French Provincial.

In recent years, Lea has initiated a consumer education program which provides extensive furniture construction and care information to buyers and offers personal handling of complaints.

Lea's four furniture manufacturing facilities and its plywood plant are located in Virginia, Tennessee and North Carolina. Its headquarters are in Richmond, Virginia.

PONTIAC FURNITURE

Pontiac, which produces an extensive line of medium-priced upholstered wall and rocker recliners and swivel rockers, has earned a reputation among dealers for the durability of its products and for prompt, complaint-free deliveries.

The company makes some 50 different chair styles with approximately 40 fabric selections, each in five to nine colors.

Among Pontiac's newer products is its Wall-A-Matic[®] recliner, perhaps the only near-the-wall recliner that will glide easily away from the wall and then return automatically.

The company's headquarters and plant are in Pontiac, Illinois.

THE SERVICES DIVISION

The Services Division of The Sperry and Hutchinson Company is comprised of four segments: banking, insurance, retailing and dental laboratory services.

The division was built largely by acquisition and reflects the company's belief that services industries generally will show significant growth and that those engaged in financial services were particularly suited to Sperry and Hutchinson. The two companies in this category are The State National Bank of Connecticut and the insurance services group, led by Bayly, Martin & Fay.

Magna Laboratories, a dental services company, coupled with an educational institute, and Hens & Kelly, a department store chain, comprise the balance of the Services Division.





SERVICES—through (I) The State National Bank of Connecticut, oldest national bank in the United States. (Top l-r) Hens & Kelly, one of Buffalo, New York's leading department store chains; Insurance protection for just about anybody or anything through Bayly, Martin & Fay. (Bottom l-r) Magna Laboratories is a part of the growing dental care industry. The company's own investment portfolio is a principal source of profit.

THE SERVICES DIVISION

THE STATE NATIONAL BANK OF CONNECTICUT

The State National Bank, acquired in 1968, operates 43 offices in southwestern Connecticut, as well as an overseas branch in the British West Indies. Founded in 1834, SNB holds the nation's oldest surviving national bank charter, dating from 1863. State National ranks by size of deposits among the 200 largest commercial banking institutions in America. It has been a steady and significant contributor to corporate profitability.

However, to comply with 1970 amendments to the Bank Holding Company Act, Sperry and Hutchinson must dispose of its interest in State National by the end of 1980.

INSURANCE SERVICES GROUP

The company entered the insurance field in 1971 with the acquisition of the Bayly, Martin & Fay insurance group. Further acquisitions broadened the group and, in 1973, a holding company, National Business Services, Inc. was established to coordinate the operations of all insurance subsidiaries.

NBS's "retail" operations include Los Angeles-based Bayly, Martin & Fay, one of the

country's largest commercial insurance brokers. BMF, which acts as an intermediary between businesses requiring insurance and various insurance companies which provide coverage, has offices throughout the United States and in London, Paris, Oslo and Bermuda, and provides services through affiliated brokers throughout the world. Others in the retail group are Actuarial Consultants, Inc. which performs life, pension and employee benefits consulting and actuarial services for insurance companies, corporate clients and trusts, and Imperial Industries, employee benefit plan counselors and administrators.

"Wholesale" insurance operations at NBS are through American National General Agencies, Inc.

ANGA, the oldest managing general agency in the western U.S., is well-known for its insurance services to the marine and entertainment industries.

Underwriting provides a third field of activity for NBS through the S&H Insurance Companies (S&H Insurance and S&H Life), Martin Re-Insurance and Hanseatic Insurance, Ltd., in

Bermuda. All are multiple-line carriers.

Reinco Intermediaries provides reinsurance services to insurance companies and managing general agencies. Offices are in New York, London and Paris.

HENS & KELLY

Hens & Kelly, an eight-branch department store chain in metropolitan Buffalo, New York, is Sperry and Hutchinson's retailing subsidiary.

Sperry and Hutchinson has had an interest in H&K since the early 1900's and assumed ownership in the late 1960's. H&K has been offering S&H Green Stamps for some four decades.

MAGNA LABORATORIES

Magna Laboratories is a manufacturer of prosthetic devices for dentists. Based in New York City, it opened its first branch in Plantation, Florida in 1974. Other branches are located in Chatham Township, New Jersey and Fairfield, Connecticut.

Magna was acquired in 1972 as part of the company's development program. Since 1971 it has operated Magna Institute, a vocational school for dental laboratory technicians in New York City.

INVESTMENT MANAGEMENT

Sperry and Hutchinson's investment portfolio produces a significant share of total earnings.

The portfolio consists of substantial holdings of bonds, notes and preferred and common stocks. The primary objectives of portfolio investments are safety and liquidity. The major portion of investments are state and municipal debt instruments.

S&H PROMOTIONAL SERVICES

Home Office
330 Madison Avenue
New York, New York 10017

S&H Green Stamps

Regional Offices

1814 Ogden Drive
Burlingame, California 94010

Route 27 and Vineyard Road
Edison, New Jersey 08817

2900 West Seminary Drive
Fort Worth, Texas 76133

P.O. Box 656
Norcross, Georgia 30071

District Offices

Arlington, Texas
Birmingham, Alabama
Buena Park, California
Elmwood Park, Illinois
Greenville, South Carolina
Jacksonville, Florida
Lemoyne, Pennsylvania
Pittsburgh, Pennsylvania
Portland, Oregon
Raleigh, North Carolina
Rochester, New York

Salt Lake City, Utah
Tulsa, Oklahoma
Windsor, Connecticut

S&H Continuities S&H Financial Promotions S&H Sperry's S&H Mail Order Center

3003 East Kemper Road
Cincinnati, Ohio 45266

S&H Motivation and Travel, Inc.

5999 Butterfield Road
Hillside, Illinois 60162

FURNISHINGS DIVISION

CARPETING

Bigelow-Sanford, Inc.

Interstate 85 and White Horse Road
Greenville, South Carolina 29602

Division Offices

Chicago, Illinois
New York, New York
San Francisco, California

Plant Locations

Belton, South Carolina
Calhoun Falls, South Carolina
Carson City, California

Landrum, South Carolina
Lyerly, Georgia
Summerville, Georgia

Bigelow-Canada, Ltd.

5901 Trans Canada Highway
Pointe Claire
Quebec, Canada

Plant Location

Ste. Agathe des Monts
Quebec, Canada

Buck Creek Industries, Inc.

5730 Glenridge Drive N.E.
Suite 3700
Atlanta, Georgia 30328

Plant Locations

Columbiana, Alabama
Dillon, South Carolina
Fort Oglethorpe, Georgia

FURNITURE

American Drew, Inc.

1101 D Street
North Wilkesboro, North Carolina 28659

Plant Locations

North Wilkesboro, North Carolina (4)

FOR MORE INFORMATION...

Employment:

Director, Corporate Personnel

Investor Relations:

Manager, Investor Relations

Consumer Information:

Director, Consumer Affairs

THE SPERRY AND HUTCHINSON COMPANY

330 Madison Avenue

New York, New York 10017

COVER PHOTOS:

FRONT—SEH Green Stamps (top) have been given as "something extra" to food shoppers since 1896. American Drew's Cherry Grove collection (bottom) is elegantly traditional, while Daystrom (bottom r) sets the mood for casual dining with contemporary styling.

BACK—SEH Continuities (top) stimulate sales by attracting shoppers. Bigelow carpet (top r) is a familiar name to millions of Americans. Gunlocke (bottom) produces high quality furniture for offices and institutions.

THE SPERRY AND HUTCHINSON COMPANIES

Corporate Headquarters/The Sperry and Hutchinson Building
330 Madison Avenue New York, New York 10017

Daystrom Furniture, Inc.

Sinai Road
South Boston, Virginia 24592

Plant Locations

South Boston, Virginia (2)

The Gunlocke Company, Inc.

Seven South Lackawanna Street
Wayland, New York 14572

Plant Locations

Dallas, Texas
Wayland, New York (2)
Whittier, California

Homecrest Industries, Inc.

Homecrest Avenue Southeast
Wadena, Minnesota 56482

Plant Location

Wadena, Minnesota

Interlock Furniture, Inc.

Hopeman Parkway
Waynesboro, Virginia 22980

Plant Location

Waynesboro, Virginia

Lea Industries, Inc.

180 East Belt Boulevard
Richmond, Virginia 23224

Plant Locations

Kenbridge, Virginia
Morristown, Tennessee
Richmond, Virginia
Waynesville, North Carolina
Windsor, North Carolina

Pontiac Furniture Industries, Inc.

1123 North Hazel Street
Pontiac, Illinois 61764

Plant Locations

Pontiac, Illinois (2)

SERVICES DIVISION

BANKING

The State National Bank of Connecticut

State National Tower
Bridgeport, Connecticut 06604

Executive Offices , Connecticut

Bridgeport	Greenwich
Danbury	Stamford

Computer Center

Fairfield, Connecticut

Domestic Bank Offices Connecticut

Ansonia	New Canaan
Bridgeport (6)	New Milford
Brookfield	Old Greenwich
Byram	Ridgefield (3)
Cos Cob	Shelton (2)
Danbury (4)	Southport
Darien	Stamford (6)
Fairfield (2)	Stratford
Glenbrook	Trumbull
Greenwich (2)	Wallingford
Milford	Watertown
Monroe	Wilton
Naugatuck	

Overseas Office

Grand Cayman,
Cayman Islands, B.W.I.

INSURANCE

Bayly, Martin & Fay, Inc.

3200 Wilshire Boulevard (North Tower)
Los Angeles, California 90010

Offices

Anchorage, Alaska
Atlanta, Georgia
Chicago, Illinois

Dallas, Texas
Detroit, Michigan
Fountain Valley, California
Honolulu, Hawaii
Kenai, Alaska
Los Angeles, California
New York, New York
North Palm Beach, Florida
Oakland, California
Philadelphia, Pennsylvania
Phoenix, Arizona
San Diego, California
San Francisco, California
San Pedro, California
Seward, Alaska
Stamford, Connecticut

Overseas Offices

Hamilton, Bermuda
London, England
Oslo, Norway
Paris, France

**American National
General Agencies, Inc.**

3200 Wilshire Boulevard (South Tower)
Los Angeles, California 90010

Offices

Los Angeles, California
Phoenix, Arizona
Portland, Oregon

Salt Lake City, Utah
San Diego, California
San Pedro, California
San Francisco, California
Seattle, Washington

Overseas Office

London, England

S&H Insurance Companies

3200 Wilshire Boulevard (South Tower)
Los Angeles, California 90010

Imperial Industries

3200 Wilshire Boulevard (North Tower)
Los Angeles, California 90010

Offices, California

Los Angeles
San Francisco

Reinco Intermediaries, Inc.

230 Park Avenue
New York, New York 10017

Overseas Offices

London, England
Paris, France

Actuarial Consultants, Inc.

1770 St. James Place
Houston, Texas 77027

RETAILING

Hens & Kelly, Inc.

478 Main Street
Buffalo, New York 14202

Stores—Metropolitan Buffalo Area

Abbott Road	Northtown
Como Mall	South Shore
Downtown Buffalo	Summit Park
East Aurora	Transitown

HEALTH CARE

Magna Laboratories, Inc.

9 East 38th Street
New York New York 10016

Laboratories

Chatham Township, New Jersey
Fairfield, Connecticut
New York, New York
Plantation, Florida

**Magna Institute of Dental
Laboratory Technology, Inc.**

386 Park Avenue South
New York, New York 10016
Executive Office



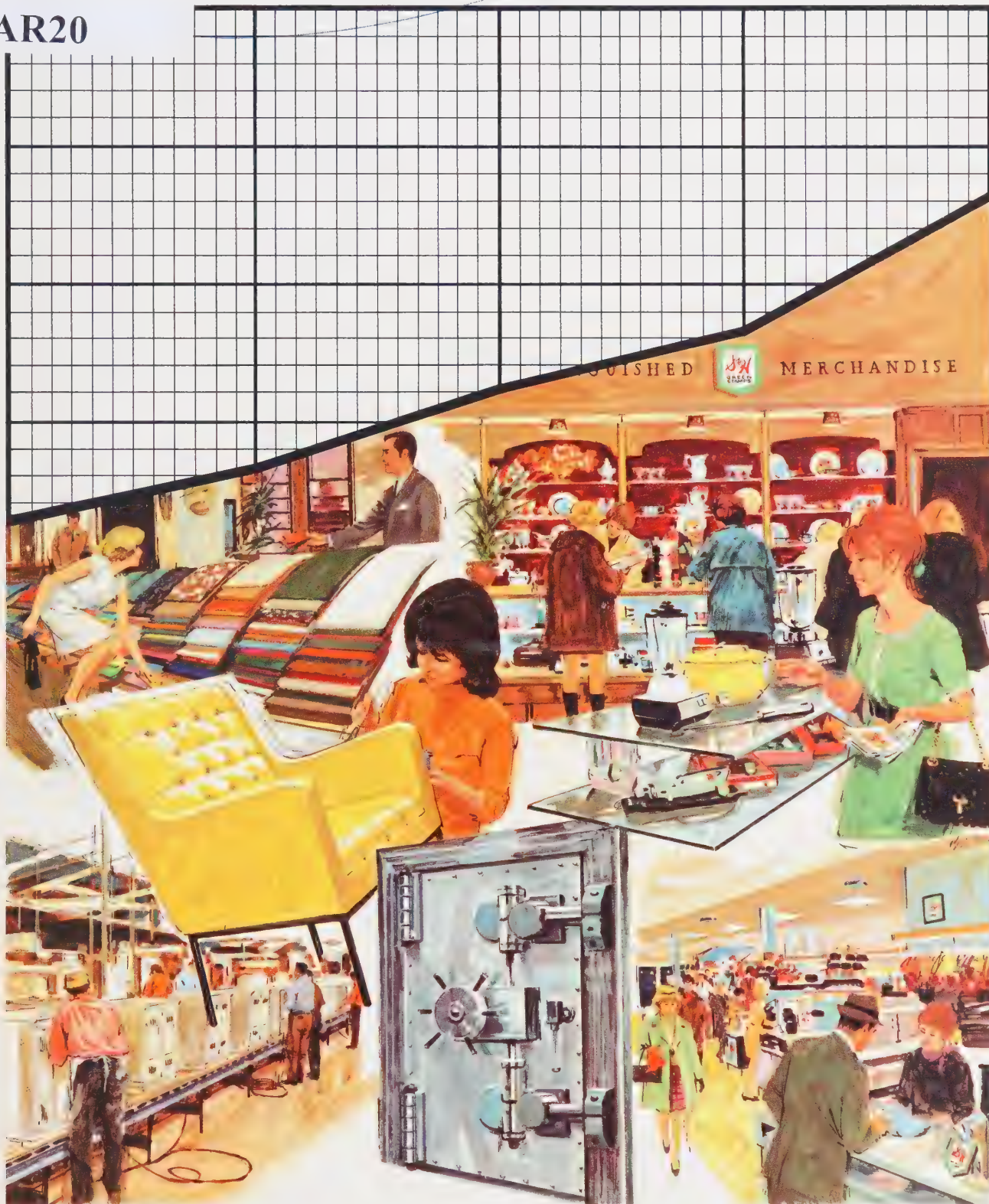
THE SPERRY AND HUTCHINSON COMPANY

330 Madison Avenue
New York, New York 10017

THE SPERRY AND HUTCHINSON COMPANY

ANNUAL REPORT TO STOCKHOLDERS / FOR YEAR ENDED JANUARY 3, 1970

AR20



ON THE COVER

An artist's rendering charts S&H's growth in earnings per share over the past five years and depicts a montage of activities representing the Company and its subsidiaries. Clockwise, from the upper right-hand corner, scenes depict an S&H redemption center; a Hens & Kelly, Inc. department store; a State National Bank of Connecticut vault; the furniture assembly line at Lea Industries, Inc.; the production of chairs at The Gunlocke Company, Inc.; and a showroom display of carpets manufactured by Bigelow-Sanford, Inc.

THE SPERRY AND HUTCHINSON COMPANY

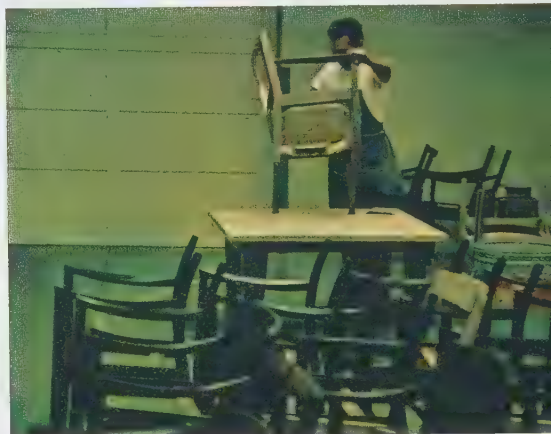
1969 ANNUAL REPORT TO STOCKHOLDERS

HIGHLIGHTS

	1969	1968 (restated)
Domestic stamp service revenue	\$361,988,000	\$340,087,000
Earnings from domestic stamp operations	29,477,000	27,037,000
Earnings from subsidiary operations	8,178,000	7,384,000
Net earnings	37,655,000	32,521,000
Net earnings per share	3.31	2.82
Common stockholders' equity	181,256,000	154,798,000
Common stockholders' equity per share	16.94	14.55

ANNUAL MEETING

The annual meeting of stockholders of The Sperry and Hutchinson Company will be held in the New York City headquarters, 330 Madison Avenue, on Tuesday, April 28, 1970 at 10 a.m. A formal notice of the meeting, together with a proxy statement and a proxy form, is being mailed to stockholders.





both new and existing accounts. The list of varied accounts ranges from the countrywide program for National Car Rental to such newer uses as fueling stations for private and industrial aircraft, bowling lanes and truck stops, to traditional mainstays like supermarkets, service stations and pharmacies.

S&H's participation in the Bonus Gifts program brought additional revenues in 1969 as this promotion continued to expand. Bonus Gifts provides coupons, exchangeable for trading stamps, which are packed into leading grocery products. The promotion is being expanded to cover 25 per cent of the nation's households by June, 1970. In 1968, it covered 10 per cent of them.

Incentives Pass \$25 Million

In its eighth year, the Incentive Division passed the \$25 million sales mark, a 30 percent advance over 1968. It was the division's second year of offering all three components of the incentive business: trading stamps, prize point programs and travel awards. Among important new accounts was Trans World Airlines, Inc., which last fall converted its "TWA Makes People Happy" campaign from cash to S&H Green Stamp awards. We look forward to continued dynamic growth in our incentive operation.

Added strength is expected from new mail marketing programs. Last year, after extensive testing, a diversified group of clients (including Carte Blanche Corporation and several oil companies) began offering a wide range of products (from Lady Pepperell blankets to Ampex stereo systems) directly to consumers through the mails. The mailing lists are provided by companies who bill their customers regularly. S&H services the entire operation, from deciding which product to match with a client's mailing list, to designing and printing promotional material, to distributing the merchandise. Sales for the fast-growing mail order industry currently account for some nine percent of all general merchandise sales in the United States.

For the 10th consecutive year, the Company provided more than 30 million Ideabook catalogs, one



In 1969, S&H Green Stamps were given in the growing Bonus Gifts promotion, which includes products shown outside a participating Publix supermarket in Tampa, Fla., UPPER LEFT; helped encourage pilots to refuel at fields like L&H International at Ft. Lauderdale, Fla., LOWER LEFT, and were used in the "TWA Makes People Happy" incentive campaign, UPPER RIGHT. Jack Holt, president of Paragon Design, Inc., LOWER RIGHT, holds samples of its polyurethane products. Paragon is the first venture launched by S&H's development division.



of the largest commercial printing orders in the United States. S&H's Christmas catalog for the armed forces in Vietnam and Thailand again brought a good response. S&H again also produced several incentive catalogs.

In October, 1969 S&H formed Paragon Design, Inc., which will manufacture polyurethane plastic components for the furniture industry. The move launched the first manufacturing venture of the development group, organized last year to investigate and start new businesses.

Construction of a 26,000-square-foot plant for Paragon Design began late in 1969 on an 11.4-acre site in Waynesboro, Virginia. The first polyurethane components for furniture are scheduled to be produced this month.

Bigelow Doubling Tufting Capacity

Bigelow sales reached a new record of \$125,278,000, up from \$112,551,000 in 1968. Advances were in both consumer and institutional markets. However, net income dropped from \$5,638,000 to \$4,936,000. A major factor affecting earnings was an industry-wide reduction in the price of synthetic carpet fibers, which required an inventory write-down.

The doubling of Bigelow's tufting capacity at Lyerly, Georgia is near completion, as is construction of a new plant in Ste. Agathe, Quebec, for Bigelow-Canada, Limited. The latter, formed in March, 1969 with Bigelow-Sanford owning a 50 percent share, will produce tufted carpets later this year for the Canadian market. Bigelow also formed Bigelow-Nobel, GmbH in West Germany to produce tufted carpets for customers in Common Market countries. Bigelow owns a 40 percent share of this venture.

The carpet manufacturer initiated an Interiors Division during the year, selling packages of coordinated furnishings to such customers as hotel and motel operators. It also began Bigelow Order Service System, a computerized inventory system that promises better service for customers and greater internal efficiency.

The Gunlocke Company, Inc. experienced a record year in sales and earnings. It also initiated a



When Burning Stamps and Treating Waste...

The destruction of redeemed trading stamps is the final step in the redemption cycle to insure that stamps are not used more than once. In 1964, when S&H learned of a new incinerator designed to eliminate smoke, ash and gases which pollute the air, the Company had one installed at the Metuchen, New Jersey warehouse (pictured above).

Similar machines now operate in other warehouses. In some locations (like Fort Worth, where a local ordinance prohibits the use of any incinerator) redeemed stamps are reduced to pulp.

Some \$300,000 worth of redeemed S&H Green Stamps (100,000 books) are sent to the Metuchen warehouse each work day by the Company's redemption centers in nine neighboring states.

The incinerator has capacities from as little as 75 pounds an hour to as much as 40 tons a day. It has a smoke eliminator in the stack where smoke and gases are mixed with air. The combustion of this mixture dissipates the smoke inside the machine.

Workmen are shown constructing Bigelow-Sanford's \$200,000 waste treatment facility, part of the subsidiary's expansion program at Lyerly, Georgia.

The facility began operating late last year and purifies a combination of process waste from the plant's dye house (where carpets are dyed to various colors) and from sanitary waste. It was constructed according to specifications of the Georgia Water Quality Control Board. The facility has a present capacity of treating 700,000 gallons a day which can be expanded to more than a million gallons.

Waste waters flow from the plant (seen in the background) to an aeration basin where the waste is oxidized by aerators over a three-day period. This essential step eliminates the oxygen-absorbing demand of waste that produces malodorous hydrogen sulfide. After this procedure, the water flows to two large settling ponds where solids are removed. The clean water then flows to the nearby Chattooga River.

three-part expansion program in October to increase production capacity at the Wayland, New York plant, to expand Wayland's storage capacity, and to increase upholstery production facilities at nearby Almond. Gunlocke also operates plants at Whittier, California and Dallas, Texas and continues to be one of the nation's leading manufacturers of middle-to-higher priced chairs and lounge furniture for offices, schools, libraries and other institutions.

Lea Industries Acquired

The Lea acquisition marked S&H's entry into the residential furniture market. Lea, based in Richmond, Virginia, produces promotional and medium-priced lines of bedroom and dining room furniture for such large retailers as E. J. Korvette, Bamberger's, Sears, Roebuck, and Abraham & Straus. In addition, some of the Lea line will be used in Bigelow's packaged interiors program for contract customers.

Two weeks ago, we announced an agreement for the cash acquisition of Gluck Bros., Inc., of Morristown, Tennessee. Gluck manufactures bedroom furniture and is best known for its Gracemark line. The company, which is privately held, had net sales of \$7.5 million in its fiscal year ending May 31, 1969.

S&H has made a firm commitment in the interior furnishings business. We expect that sales growth, profitability and return on investment in the interior furnishings industry will exceed the average growth and profitability of U.S. businesses generally during the 1970's. We also look to achieve higher sales and lower costs by coordinating manufacturing, marketing, distribution and management activities in a group of furnishings companies. In addition, S&H continues to seek companies in the business services field, which has been growing at a faster rate than the economy.

In 1969, The State National Bank of Connecticut established new highs in net income, total assets and deposits. The 34-branch bank also concluded the year with deposits of \$330 million, an increase over the \$314 million in 1968, counter to the downward trend

for most of the nation's banks.

Hens & Kelly, Inc., the department store subsidiary in Buffalo, New York, has been a consistently profitable operation with which the Company has enjoyed a long relationship. In 1969, it had a record sales year. During the year, S&H sold two department stores in Michigan: The Wurzburg Company in Grand Rapids and F. N. Arbaugh Company in Lansing.

During 1969, the Company's United Kingdom operation substantially reduced its losses. Early this year, small, unprofitable operations in Belgium and West Germany were discontinued.

The Company's marketable securities portfolio of \$155 million is managed internally. In 1969, substantially higher yields were obtained on new commitments for the fixed income portfolio. The equity investment portfolio continued to outperform the nation's major mutual funds.

For the 34th consecutive year, the Company paid dividends on its common stock. In 1969, this amounted to \$1 per share. There are approximately 8,500 shareholders of the Company.

S&H Nears 75th Anniversary

We pay tribute to the dedication and important contributions made by Walter A. Whitnack, who retired last April after 45 years with the Company. At the time of his retirement, Mr. Whitnack was a director and an executive vice president of the Company.

During the year, we were pleased to welcome Frederick A. Collins, Jr., executive vice president of the Company, to the Board of Directors. Mr. Collins joined S&H as general counsel in 1963, was appointed vice president, legal and public affairs in 1965 and reached his present post in the following year.

We note with deep regret the passing of Edwin J. Beinecke, who guided S&H through the formative years of the past half-century. We comment further on Mr. Beinecke's contributions elsewhere in this report.

We have been saddened further by the deaths of two other men who were instrumental in the growth



William S. Beinecke (left), S&H chairman of the board, and Frank P. Rossi, president, are shown at the Company's corporate headquarters in New York City.

of the Company, George Schirer and Henry C. Von Elm.

Mr. Schirer joined S&H as a salesman in 1914, became a vice president nine years later and was elected president in 1953. From 1960 to 1966, he was honorary Chairman of the Board and continued as an honorary director until his death. He was S&H's chief operating officer through its fastest-growing period, when supermarkets began to use trading stamps extensively.

Mr. Von Elm was an S&H director from 1940 to 1965 and thereafter an honorary director. One of the nation's leading bankers, he was a valuable financial advisor to the Company for 30 years.

As the Company approaches its 75th anniversary, we once again express our gratitude to the more than 16,000 employees who have contributed to its continued success.

William S. Beinecke

William S. Beinecke
Chairman of the Board

Frank P. Rossi

Frank P. Rossi
President

March 17, 1970



EDWIN J. BEINECKE

January 6, 1886—January 21, 1970

The half-century of Edwin J. Beinecke's leadership of The Sperry and Hutchinson Company has left an indelible mark.

He became a director of the Company in 1918 and its President in 1923. Nine years later, he assumed the additional post of Chairman of the Board. Department stores then were the principal users of S&H's promotional service. In the formative years that followed for the Company, Mr. Beinecke kept searching for new horizons. An example was the relationship established in the early 1950's between S&H and the supermarket industry.

In 1960, he assumed the new title of Chairman and turned the Company's day-to-day management over to a younger team. Then he devoted his talents and leadership to S&H's expansion into new fields. He served actively as a director until his death.

Mr. Beinecke served on the boards of directors of 18 U.S. companies, including the Hotel Waldorf-Astoria Corporation, Manufacturer's Trust Company, Curtiss-Wright Corporation, Tiffany and Company and George A. Fuller Company.

In 1963, Mr. Beinecke's long interest in literature culminated in the dedication of the Beinecke

Rare Book and Manuscript Library on the Yale campus. It was a gift from him, his brother Frederick W. Beinecke and their families, as well as the family of the late Walter Beinecke, another brother. Believed to be the largest building in the world devoted entirely to rare books and manuscripts, it houses more than a quarter of a million volumes and a million manuscripts.

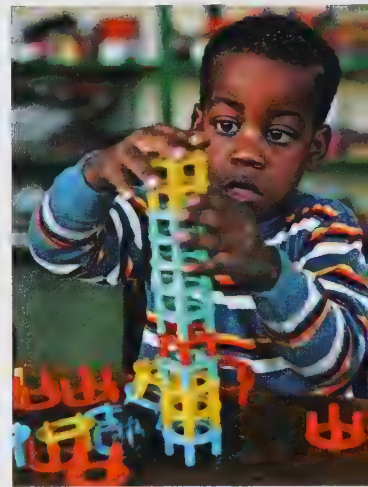
Mr. Beinecke served his nation in both world wars, first as a Captain in the Construction Division of the U.S. Army and then, in the Second World War, as Deputy Commissioner of the American Red Cross in Great Britain. He valued highly the Medal of Freedom award he received for his Red Cross service.

Lou R. Crandall, a director of S&H and a long-time friend, perhaps best expressed in these words the sense of loss of those who knew Edwin J. Beinecke:

"He loved life. And he had a good and full life. It was a life marked by very substantial success in the business world. It was marked by a broad range of interests in the arts, particularly literature; by philanthropy and help to needy and worthy efforts; by a generous giving of himself where he thought his help might do some good."

REVIEW OF THE YEAR

S&H GREEN STAMPS



Supermarkets continue to be by far the largest source of revenue in the S&H Green Stamp operation. Various other sources include: UPPER RIGHT, the National Car Rental account; CENTER, group tours provided by S&H Travel Awards, Inc., part of the incentive division, and, LOWER, the Pink Stamp operation in the United Kingdom. Among the Company's group savings programs was a drive to collect 10,000 books of S&H Green Stamps for the Chicago Federation Settlement Houses, ABOVE.



Broad advances in all of its major markets brought S&H Green Stamp service revenues and earnings to record levels during 1969. Domestic stamp service revenue was \$361,988,000, an increase of \$21,901,000 over the prior year. Earnings from the trading stamp operation were \$29,477,000, 9 percent higher than in 1968.

The one-year advance in sales more than doubled the total increase of \$10 million of the preceding three years. This growth came from new applications of the service as well as from greater volume by traditional users.

Additional revenues were also derived from a large number of relatively small, new food accounts. Moreover, Miller's Del Farm supermarkets, a division of National Tea Company, joined more than 200 merchants who give S&H Green Stamps in the Denver area. National Tea began its program with S&H in 1957 with 198 Chicago-area supermarkets. Overall, the more than 10,000 food outlets in the United States which give S&H Green Stamps have sales of over \$11 billion.

Another account, which returned to the use of the service, was J. L. Brandeis & Sons in Lincoln, Nebraska. Brandeis, one of that city's leading department stores, had discontinued the use of S&H Green Stamps in all but its grocery department four years ago, when its current management bought out the former owners. Prior to that the store, known as Gold's, had provided S&H Green Stamps since 1915.

The Company's Incentive Division continued to grow, exceeding \$25 million in sales, a 30 percent increase over the prior year, and outpaced the growth of its industry. This was the Division's second year of providing a prize point program, the largest component of the incentive industry, and it more than doubled its revenues from this source. Incentive programs offering S&H Green Stamps increased by one-third, while the travel operation experienced modest advances.

One of the most significant new incentive accounts was the highly-promoted Trans World Airlines,



Ideabook catalogs ready for shipment at the Hillside, Ill. warehouse. Over 30 million have circulated annually since 1960.

Inc. "TWA Makes People Happy" campaign, which converted from cash awards to S&H Green Stamps on an exclusive nationwide basis last fall.

Although most automobile manufacturers use two- to three-month incentive programs, the Autolite Parts Division of The Ford Motor Company renewed its contract on a 12-month basis last year. In fact, Ford sent dealers and their families (2,740 travelers in all) to Honolulu in one of S&H Travel Awards, Inc.'s largest incentive programs in 1969.

The Company's incentive business opened new markets last year, especially among savings and loan association accounts and in safety programs in the coal mining industry.

The 13th annual nationwide study of consumer attitudes toward trading stamps, conducted by Benson & Benson, Inc. of Princeton, New Jersey, revealed an



Bowling aces get more than high scores at Sheridan Lanes, Tulsa, Okla., and other centers providing S&H Green Stamps across the nation. In one of the newest uses of trading stamps, these accounts reward top performance with extra stamps.

upturn in favorable attitudes toward stamps and a leveling off of what had been a gradual three-year decline in the saving of all trading stamps. Nearly eight of 10 of the nation's households continue to save stamps. With 162 billion S&H Green Stamps issued last year, as many people prefer them as prefer all other stamps combined.

The merchandising operation, which includes redemption centers and warehouses strategically located across the continental United States, is a cornerstone of the Company's profitability. Forbes Magazine rated S&H among the nation's top ten (of 575) companies reviewed in terms of return on invested capital in its January 1, 1970 issue.

The Company's distribution system again contributed to earnings with new efficiencies and economies which reduced the cost of moving merchandise

through the system. In 1969, the continuing program of consolidating and modernizing redemption centers affected 53 of the more than 800 in operation. S&H opened 13 new redemption centers, relocated 16 and refurbished 15. The number of self-service centers was expanded to 46 by year-end and another 10 are planned for the current year. The Company continues to stress customer satisfaction as the underlying strength of the S&H Green Stamp service. This includes providing brand name merchandise and convenience at the redemption center.

In November, 1969, the Company purchased a 50-acre industrial site outside Atlanta, Georgia and announced plans to erect a warehouse there for its redemption merchandise. The proposed installation would replace an existing warehouse and will serve about 100 S&H redemption centers in seven Southeast-



The use of S&H Green Stamps by truck stops is growing rapidly. Shown here is The Burns Brothers stop, Portland, Ore.

Wieboldt's department stores, one of greater Chicago's largest chains, has been giving S&H Green Stamps continuously since 1957.



Sunset House, a leading mail order firm, issues S&H Green Stamps to its customers across the nation.

ern states, one of the fastest-growing regions for S&H.

The Company continued its progress in providing promotions for retailers and manufacturers alike. The National Car Rental account, which increased its use of the S&H Green Stamp service by 44 percent in 1968, increased it by another 48 percent last year.

Another new retail promotion which grew dramatically in 1969 was the Company's national program with fueling stations for private and industrial aircraft (fixed base operators). More than 300 such refueling stops across the country now give S&H Green Stamps.

Consumer promotions for manufacturers include the Bonus Gifts program, which recently expanded its marketing area and will reach some 25 percent of the nation's households by June, 1970. Bonus Gifts reorganized last year with the aid of Glendinning Companies, Inc., an experienced sales promotion firm.

Bonus Gifts involves the participation of many trading stamp companies. Consumers participating in the program have been opting for S&H Green Stamps in a far greater percentage than the Company's share

of the trading stamp market. S&H soon will begin experimenting with direct redemption of Bonus Gifts coupons in its own redemption centers.

Many of the nation's leading producers of grocery products are among the participating manufacturers, including Borden Foods Co., Inc., Lever Brothers Company, Scott Paper Company, R. J. Reynolds Foods, Inc., International Salt Co., Quaker Oats Co., The Pillsbury Co., Frito-Lay, Inc. and Star-Kist Foods, Inc.

The Company's new mail marketing group conducted test programs through 1969 and was launching full programs by year-end.

Mail marketing clients make special merchandise offers to their regular customers. The ordered merchandise, in turn, is distributed by S&H. S&H mail order clients included Shell, Marathon and American Oil Companies and Carte Blanche Corporation. Time-Life International and Beneficial Finance Company of New York, Inc. were testing programs at year-end. The products offered included Lady Pepperell blankets, Hoover vacuums, Olivetti-Underwood typewriters, Panasonic electric shavers and Black & Decker power tools.

During 1969, S&H substantially reduced its operating losses in the United Kingdom. In the early months of 1970, small, unprofitable operations on the Continent were discontinued. There now are approximately 3,900 outlets in the United Kingdom which give S&H Pink Stamps, as they are known there. Approximately 2,600 of them are gasoline service stations and 1,000 are food retailers.

Among the more than 2,000 group savings projects under way in 1969 were "Project Concern," a program by Jaycees and Jaycettes to provide medical supplies for civilian victims of the war in Vietnam; 10,000 books of S&H Green Stamps collected by the Chicago Federation Settlement Houses to equip 13 of their centers and to fund scholarships; a Lion's Club drive to purchase brailers for the blind, and wheelchairs provided by the Multiple Sclerosis Society. On the lighter side, the Order of the Moose purchased a live moose for the Baltimore zoo in another group savings project.

The Company has a pilot program for college campuses. S&H appoints a student leader as its representative to generate group savings projects in fraternities and other campus groups.



"More Store" scenes surround an inset of Baton Rouge Mayor W. W. Dumas (right) and businessman I. H. Rubenstein.

"MORE STORE:"

Restoring Urban Shopping to Baton Rouge, Louisiana

The merchants of downtown Baton Rouge had a problem. Retail traffic had moved steadily to suburban shopping centers over recent years, and the very life of its urban shopping trade was threatened.

Yet the market potential remained. Louisiana's capital city, home to 185,000 people, was still the center of the South's chemical industry, the site of the Mississippi River's farthest inland deep-water port and a vital wholesale distribution center for many commodities. East Baton Rouge Parish still had an effective buying income of almost \$11,000 per household.

Leading merchants in the community met with S&H vice president George Sirback to resolve the problem. The result: incorporation of the Down Town More Store Association, with 26 member merchants who, late last November, began giving S&H Green Stamps to their customers.

This membership included a wide range of retail establishments, from highly-priced wares (jewelry, pleasure boats, furniture, cameras and record players, better women's apparel) to popularly-priced goods (shoes, pharmaceuticals, books and stationery, variety merchandise).

Merchant members began advertising collectively under the "More Store" name, on television, radio, in newspapers, billboards and in their stores.

Within weeks after the Christmas shopping season, a spokesman for the "More Store" group reported that the "shopping slide has been arrested" and that there is now a "contrary trend." He added that "Thursdays, with double stamps, are now almost as good as Saturdays," and that the non-profit Association's membership has since increased.

Future plans call for the opening of an S&H redemption center in downtown Baton Rouge to accommodate "More Store" customers. Many have been long-time savers of S&H Green Stamps. National Tea, which operates eight supermarkets in the area, has been giving them for more than ten years.

INTERIOR FURNISHINGS

S&H's interior furnishings companies—Bigelow-Sanford, Inc., The Gunlocke Company, Inc. and Lea Industries, Inc.—each had record sales in 1969. The interior furnishings group's combined sales were \$156,951,000 in 1969, a 21 percent increase over the \$129,847,000 recorded for the prior year. Record earnings for Gunlocke and Lea Industries contributed to the group's net income of \$6,338,000, up from \$6,016,000 in the prior year.

BIGELOW-SANFORD, INC.



At Lyerly, Georgia, Bigelow is expanding its tufting capacity and began operating new looms in 1969, LEFT. Photos, LEFT TO RIGHT, show some of the newest institutional customers for the carpet manufacturer: Marriott Motor Hotel, Houston, Tex.; First National Bank of Chicago (Ill.), and Lake Villa School, Lake Villa, Ill. Bigelow is one of the nation's largest suppliers of carpet for commercial customers as well as for the home market. Last year, it achieved record sales, showing strength in both categories.



Sales for Bigelow-Sanford, Inc. reached a new high for the second consecutive year. In 1969, net sales of \$125,278,000 were 11 percent higher than in the prior year. Demand and market penetration were strong for Bigelow's full product line, including both residential and commercial markets.

Net income declined from \$5,638,000 to \$4,936,000. A major factor behind the decrease was an industry-wide reduction in the price of synthetic carpet fibers which caused an inventory write-down.

Prospects continue for long-term growth in the industry. Carpet sales doubled in ten years to pass the billion dollar mark in 1964. They doubled again in the next five years, and projections call for another billion-dollar gain by the mid-70's.

Besides an acceleration in new family formations and projected growth of disposable income, there are other factors behind these prospects. Carpet is being used in more areas of the home, including laundry rooms, patios and kitchens. The replacement market for household carpeting is also increasing.

A generation ago, carpet replacement averaged 14 years; today, it is five years or less because carpets used in the newer areas invite harder wear. In addition, the public taste is moving toward replacement of carpets for decorative reasons.

Bigelow continued to be an industry leader in sales to commercial customers last year. Among its contracts were those with the New York Hilton Hotel; Marriott Motor Hotel, Houston; Jockey Club condominium in Miami; St. Joseph's Hospital, Wichita, Kansas; Rockwood Manor Retirement Home, Spokane, Washington; Rochester Institute of Technology, Rochester, New York, and Lake Villa School, Lake Villa, Illinois.

Expansion of Bigelow's tufting capacity at the Lyerly, Georgia plant is nearing completion. The expanded plant will double Bigelow's domestic production capacity for tufted carpet.

During the year Bigelow also initiated its Interiors Division, which is marketing packaged rooms to contract customers. The concept particularly lends itself to sales to motels, hotels and other institutions. It





Lowell P. Weicker (left), chairman of the board, and Robert Jennings, president, examine Bigelow carpets designed for the home market.

also provides a greater market for furniture products manufactured by other S&H subsidiaries.

Bigelow also implemented a new inventory system of computer recording and communications in 1969. Known as Bigelow Order Service System, it is designed to provide customers with Bigelow products quickly, anywhere they are sold. Under the system, computers inform dealers which carpeting is available, and the time for delivery. The system also fills the order and initiates inventory replacement.

Construction of Bigelow-Canada's plant is nearing completion in Ste. Agathe, north of Montreal. Bigelow-Canada, Ltd. was formed early in 1969 in conjunction with Neonex International Ltd. of Van-

couver, British Columbia. Each are equal partners in the venture, which is expected to become a major factor in Canada's rapidly expanding market for tufted carpet. Bigelow-Canada products will be distributed by Imbrex Ltd., a wholly-owned subsidiary of Neonex and one of the country's leading carpet marketing organizations.


In conjunction with Dynamit-Nobel, A.G. of Troisdorf, West Germany, Bigelow formed Bigelow-Nobel GmbH. The new affiliate, 40 percent-owned by Bigelow, is expected to become a leading producer of tufted carpet for West Germany and other Common Market nations. Its manufacturing facility is located at Bad Hersfeld.



Among Bigelow's newest institutional accounts are St. Joseph's Hospital, Wichita, Kans., and Ming's Restaurant, San Francisco, Calif. Bigelow also is entering the Canadian market. Construction of a new plant for Bigelow-Canada, Ltd. is nearing completion in Ste. Agathe, north of Montreal.

INTERIOR FURNISHINGS

THE GUNLOCKE COMPANY, INC.



In 1969, The Gunlocke Company, Inc. achieved record sales and earnings. The company initiated an expansion program in its main plant at Wayland, New York and in the nearby Almond upholstery plant, and launched two new lines of lounge furniture to increase its penetration of the higher-education market. The manufacturer of quality seating was added to S&H's interior furnishings group early in 1969.

Gunlocke's expansion program began in October. Under its initial stages, lumber storage capacity is being increased by 30 percent, and the rough mill and steam bending departments (the first stages of chair production) are being expanded. New equipment, including an overhead conveyor system to transport chairs, will facilitate future expansion.

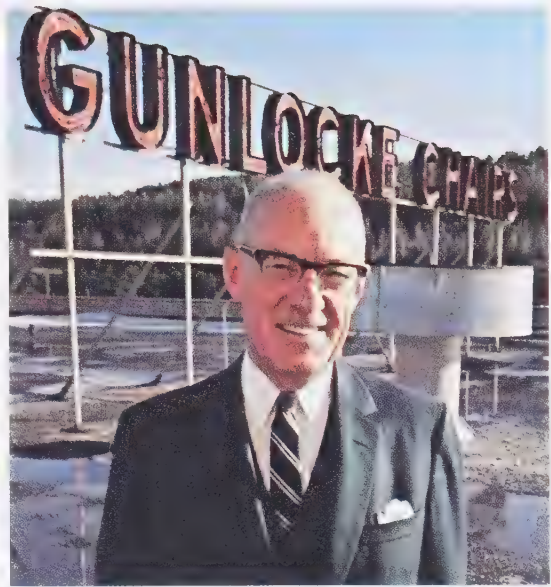


The new lounge lines complement Gunlocke's seating for colleges and universities which previously had made it the nation's leading supplier for this market. In keeping with a trend established in the mid-60's, these new lines are highly-styled.

Gunlocke's designing won honors during the annual convention of the National Office Products Association. The Institute of Business Designers presented a top award to a new Gunlocke armchair and, simultaneously, to the designer—Jens Thuesen of the Gunlocke staff. This recognition was particularly satisfying to Gunlocke, marking a further indication of the company's leadership in its industry.

The Gunlocke and Bigelow marketing organizations worked together to promote sales to institutional customers through the many dealers who feature both products.

In July, Gunlocke cooperated with the nearby Perkinsville branch of VISTA and employed two groups of young men from the program. Morning training sessions and afternoon on-the-job programs were instituted in several skilled areas including woodworking.



Howard Gunlocke, chairman of the board and president of The Gunlocke Company, Inc., is shown on the roof of the main plant in Wayland, N.Y.



Craftsmanship is involved in each step in producing Gunlocke chairs, including webbing, FAR LEFT, and cutting upholstery fabric. ABOVE: Sammy Finger's, Houston, Tex., is the nation's largest dealer in Gunlocke chairs. PHOTOS, LEFT show recent Gunlocke installations at the Rochester (N.Y.) Institute of Technology and in the city hall at Cypress, Calif.

INTERIOR FURNISHINGS



LEA INDUSTRIES, INC.

The acquisition of David M. Lea & Company (renamed Lea Industries, Inc.) on November 7, 1969 for approximately 160,000 shares of S&H common stock brought S&H into the residential furniture market.

Lea, which was privately held, manufactures promotional and medium-priced bedroom and dining room furniture under the David M. Lea and Kenlea Crafts names. Known primarily for its early American and traditional styles, the company's line is being expanded to include contemporary and other popular styles. It also produces hardwood plywood and wire-bound shipping containers for industrial products.

The David M. Lea Furniture Division produces six groups of promotional-priced furniture in a 340,000 square foot, two-story plant it shares with the container division in Richmond, Virginia. E. J. Korvette in New York, Bambergers in New Jersey, and Goldblatt Brothers in Chicago are among the largest of the division's 4,000 active accounts.

Kenlea produces seven major groups of medium-priced furniture in a 233,000 square-foot plant in

Kenbridge, Virginia, 65 miles south of Richmond. Sears, Roebuck and Co., Abraham & Straus and Gimbel's are among Kenlea's 5,000 customers.

Lea was founded in Richmond in 1869 to manufacture boxes for the local tobacco industry. Incorporated in 1919, it began making wirebound wooden boxes for industrial products. Lea still produces wooden pallets and wirebound wood boxes used for shipping containers for such customers as Pittsburgh Plate Glass Company, Bethlehem Steel Corporation and Universal Rundle Corporation, a Sears, Roebuck and Co. subsidiary.

Lea began manufacturing novelty furniture items in 1933 and, by the late 1930's, was producing a line of low-priced bedroom furniture. After World War II, it started its own plywood and lumber subsidiary in an 80,000 square-foot plant at Windsor, North Carolina. This operation today produces cut-to-size plywood and markets about 65 percent of its output to outside customers. In 1960, Lea took a major step to broaden its product line by opening its Kenbridge plant. The company has 1,100 employees.

Kenlea bedroom and dining room furniture, the top of the line of Lea Industries, is shown in early stages of assembly line production at the Kenbridge, Va. plant, OPPOSITE PAGE, BELOW LEFT and BOTTOM. BELOW RIGHT: A skilled artisan applies gold striping to a headboard in the Richmond, Va. plant.



Lea board chairman E. Angus Powell is shown at their year-round display in New York City's Merchandise Mart. A Lea craftsman, ABOVE, sprays a finish on the frame of a cabinet.



THE STATE NATIONAL BANK OF CONNECTICUT



Modern facilities are essential to the growth of The State National Bank of Connecticut, as exemplified by the artist's scene of a branch interior, and the photo of its newest Stamford branch, RIGHT, The bank's computer center, located in Bridgeport, FAR RIGHT, is a mainstay in its business services operation. State National is a leader among Connecticut banks in financing major construction, such as St. John's Towers, a middle-income housing project in Stamford, LEFT, and the newly-completed Xerox Corp. headquarters, also in Stamford. The bank continues to expand in Fairfield, Litchfield and New Haven Counties.

On July 1, 1969, The State National Bank of Connecticut marked its 106th anniversary as a national bank and, two months later, the end of its first year as a subsidiary of The Sperry and Hutchinson Company. The bank holds the second oldest operative national bank charter in the United States.

During the past year, the bank established records in net income, total assets and deposits. State National's net income was \$2,471,000, an increase of 35 percent over the \$1,832,000 recorded in 1968. Total assets at year-end were \$363,650,000, compared with \$343,282,000 for 1968, a gain of 6 percent. Deposits totaled \$329,664,000, or 5 percent higher than the \$314,236,000 recorded in the prior year. The 1968 figures were restated to conform with new accounting procedures. The condensed statement of condition of the bank is on page 41.

In February, 1969, State National opened its newest branch office in New Milford. The bank now has 34 offices. Additional branches, scheduled to open in 1970 in Ansonia, Naugatuck and Watertown, are part of the bank's growth in expanding Naugatuck

Valley, where a new airport in Oxford and the development of new world headquarters for Uniroyal, Inc. will help stimulate the region's economy. Most of the bank's branches are located in prosperous Fairfield County, which continues to expand despite the slow-down in the economy. Expansion continues in Litchfield and New Haven Counties, as well as in Fairfield.

Several companies are extending their operations into the bank's trading area and have become customers of State National. In Greenwich, where the bank maintains an executive office, the list includes American Can Company, Avco Corporation and Lone Star Cement Corporation. In Stamford, site of another of the bank's executive offices, Xerox Corporation, General Electric Credit Corporation and Georgia-Pacific Corporation are among the newcomers.

Other businesses, newly arrived in Connecticut, also are potential customers for the bank's computer center, located in Fairfield, where payrolls, inventories, general accounting and other business services are provided by a staff which works around the clock, six days a week.



Benjamin Blackford, president of State National, is shown in the bank's Bridgeport branch which houses its executive headquarters. In 1969, the bank set new records in net income, total assets and deposits. It plans to open three new branches this year.



The bank's mortgage department was again one of the State's most active financiers of major building construction. In 1969, State National helped finance the construction of Methodist Homes in Shelton, Connecticut, an FHA housing project; offices for National Amusements Company in Orange and General Time Corporation and Xerox Corporation, both in Stamford, and Tamarac Country Club in Greenwich.

The bank's loan volume reached record levels during 1969. Despite a short supply of mortgage money throughout the banking area, State National was again highly active in the residential mortgage field.

Last October, State National became the first Connecticut bank to introduce the use of BankAmericard to its customers for both credit card charges and cash advances. The BankAmericard program supplements State National's instant check-credit and check guarantee card services. The latter card bears a color

photograph of a depositor for his identification, guarantees his personal checks to merchants for up to \$250, and is the first of its kind issued in State National's trading area. Instant check-credit constitutes a pre-approved loan at the bank.

State National's trust department administered assets with a total book value in excess of \$250 million at the end of 1969. The bank opened a fourth trust department office at its main Danbury branch during the year; other such offices are operating in Bridgeport, Greenwich and Stamford.

In March, 1969, State National established the area's first international banking department. Among the services it offers are trade collections, remittances, travelers checks, letters of credit, credit information, import-export financing. In addition, "trip-paks" provide bank customers with small change for such uses as taxi fares and tipping at their foreign destinations.



Two new services introduced by State National last year were the BankAmericard, shown in use by a bank customer in a Bridgeport clothing store, and "trip-paks," LEFT, which include small change in the currency used at the destination of a bank customer planning an overseas trip. The bank also operates a number of drive-in teller windows, for added customer convenience. The one shown, ABOVE, is one of ten in the Bridgeport area.



HENS & KELLY, INC.



The six Hens & Kelly, Inc. department store units offer a blend of traditional counter displays, ABOVE, and modern boutiques, like the one shown in a suburban store.

The original Hens & Kelly department store opened its doors for business in 1892 at the present site of the Buffalo, New York chain's prime Main Street location. It introduced trading stamps to its customers more than three decades ago and has been giving the S&H Green Stamp "extra" ever since.

In 1969, Hens & Kelly sales approached \$20 million for the first time, despite a softening in general retailing and a six-week bus strike in Buffalo. The department store chain's revenues have doubled since 1960 when it opened its first branch, and it is today one of Buffalo's largest. During the 60's, Hens & Kelly became virtually wholly-owned by S&H.

Today, five suburban Hens & Kelly stores ring the greater Buffalo area. A sixth is scheduled to open in 1971 in the new "Wheatfield" regional shopping center near Niagara Falls. Sears, Roebuck and Co. is



Hens & Kelly customers have the added convenience of redeeming their S&H Green Stamps in four of the chain's suburban branches and in the downtown Buffalo store.

expected to provide the other anchor unit for the center.

Hens & Kelly has S&H Green Stamp redemption centers in each of its stores except one, a smaller branch in East Aurora. Its downtown store is an eight-story building with 160,000 square feet of space. The chain has approximately 1,200 full-time employees.

During the past year the chain continued to trade up on its merchandise; it added boutique-type shops in women's departments and introduced more fashionable clothing for men and boys. The transition continues; at one time, Hens & Kelly was a low-end retailer specializing in furniture sales. A co-op advertising campaign featuring S&H Green Stamps in the Fall proved to be highly successful, as was the store's new policy of remaining open until midnight during the Christmas rush.



William L. Smith, president of Hens & Kelly, Inc., sits in his office in front of a map of greater Buffalo, N.Y. Red marks indicate locations of store branches.

THE SPERRY AND HUTCHINSON COMPANY—BALANCE SHEET

ASSETS	January 3, 1970	December 28, 1968 (restated)
Current assets		
Cash	\$ 14,246,000	\$ 10,810,000
Marketable securities	154,831,000	141,687,000
Notes and accounts receivable (net)	46,947,000	44,268,000
Inventories, principally redemption merchandise	56,108,000	49,301,000
Future Federal tax benefits	24,601,000	22,854,000
Prepaid expenses	3,780,000	2,720,000
Total current assets	<u>300,513,000</u>	<u>271,640,000</u>
Investments in subsidiaries	<u>132,776,000</u>	<u>119,128,000</u>
Property, improvements and equipment		
Land	3,952,000	3,194,000
Buildings, equipment and leasehold improvements	53,288,000	51,901,000
Less accumulated depreciation and amortization	(33,771,000)	(31,046,000)
Net property, improvements and equipment	<u>23,469,000</u>	<u>24,049,000</u>
Long-term notes receivable (net)	9,995,000	9,229,000
Deferred charges	—	1,967,000
	<u>\$466,753,000</u>	<u>\$426,013,000</u>

The accompanying notes are an integral part of the financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

	January 3, 1970	December 28, 1968 (restated)
Current liabilities		
Accounts payable and accrued liabilities	\$ 54,082,000	\$ 52,306,000
Federal, state and local taxes	9,861,000	7,740,000
Dividends payable	3,137,000	3,108,000
Liability for stamp redemptions	211,750,000	201,363,000
Total current liabilities	278,830,000	264,517,000
Stockholders' equity		
Capital stock		
6% cumulative preferred, \$100 par value; authorized and issued 50,860 shares	5,086,000	5,086,000
Cumulative preference, no par value, \$3 stated value; authorized 2,000,000 shares; issued 1969—528,129; 1968—537,178	1,584,000	1,612,000
Common, par value \$1; authorized 30,000,000 shares; issued 1969—10,704,302; 1968—10,641,855	10,704,000	10,642,000
Capital surplus	18,410,000	17,077,000
Retained earnings	152,253,000	127,079,000
Less treasury stock (at cost)	(114,000)	—
Total stockholders' equity	187,923,000	161,496,000
	\$466,753,000	\$426,013,000

THE SPERRY AND HUTCHINSON COMPANY

STATEMENT OF EARNINGS

	Fifty-Three Weeks Ended January 3, 1970	Fifty-Two Weeks Ended December 28, 1968 (restated)
Domestic stamp service revenue	\$361,988,000	\$340,087,000
Provision for stamp redemptions	(247,938,000)	(235,578,000)
Marketing and administrative expenses	(69,803,000)	(65,084,000)
Investment and other income (net)	12,339,000	11,183,000
Federal taxes on earnings from domestic operations	(27,109,000)	(23,571,000)
Earnings from domestic operations before earnings from subsidiary operations	29,477,000	27,037,000
Earnings from subsidiary operations	8,178,000	7,384,000
Earnings before extraordinary charge	37,655,000	34,421,000
Extraordinary charge—provision for estimated loss on investment in certain affiliates, net of applicable Federal income tax	—	(1,900,000)
Net earnings	\$ 37,655,000	\$ 32,521,000
Per share of common stock (including common stock equivalents)		
Earnings before extraordinary charge	\$3.31	\$3.00
Extraordinary charge	—	.18
Net earnings	\$3.31	\$2.82
Per share of common stock (assuming full dilution)		
Earnings before extraordinary charge	\$3.24	\$2.94
Extraordinary charge	—	.16
Net earnings	\$3.24	\$2.78

The accompanying notes are an integral part of the financial statements.

THE SPERRY AND HUTCHINSON COMPANY

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Fifty-Three Weeks Ended January 3, 1970	Fifty-Two Weeks Ended December 28, 1968 (restated)
SOURCE OF FUNDS		
Net earnings	\$37,655,000	\$32,521,000
Add depreciation and amortization	4,156,000	4,372,000
Total from operations	41,811,000	36,893,000
Proceeds from sale of subsidiaries	4,024,000	—
Sale of common stock under employees' option plan	1,367,000	862,000
Decrease in long-term notes receivable and deferred charges	1,201,000	79,000
	<u>\$48,403,000</u>	<u>\$37,834,000</u>
APPLICATION OF FUNDS		
Dividends paid	\$12,481,000	\$11,517,000
Additions to property, improvements and equipment (net)	3,576,000	2,014,000
Investment in subsidiaries	17,672,000	8,574,000
Cost of treasury stock acquired	114,000	—
Increase in working capital	14,560,000	15,729,000
	<u>\$48,403,000</u>	<u>\$37,834,000</u>

The accompanying notes are an integral part of the financial statements.

THE SPERRY AND HUTCHINSON COMPANY

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY *Fifty-Three Weeks Ended January 3, 1970*

	Capital Stock		
	6% Cumulative Preferred	Cumulative Preference	Common
Balance at beginning of year, as previously reported	\$5,086,000	\$1,612,000	\$10,642,000
Adjustment arising from acquisition of David M. Lea & Company, Incorporated on a pooling of interests basis			
Adjustment of prior years' earnings of The State National Bank of Connecticut arising from revised financial reporting requirements for national banks			
Balance at beginning of year, as restated	5,086,000	1,612,000	10,642,000
Net earnings for 1969			
Cash dividends			
6% cumulative preferred			
Preference stock			
Common			
Common stock issued pursuant to employees' stock option plan . . .			49,000
Treasury stock acquired-			
40 shares of 6% preferred and 2,209 shares of common			
Issuance and conversion of cumulative preference stock—(net) . . .		(28,000)	13,000
Balance at end of period	\$5,086,000	\$1,584,000	\$10,704,000

The accompanying notes are an integral part of the financial statements.

<u>Capital Surplus</u>	<u>Retained Earnings</u>	<u>Less Treasury Stock</u>	<u>Total Stockholders' Equity</u>
\$22,724,000	\$123,969,000	\$4,968,000	\$159,065,000
(5,647,000)	2,987,000	(4,968,000)	2,308,000
	123,000		123,000
17,077,000	127,079,000		161,496,000
	37,655,000		37,655,000
	(305,000)		(305,000)
	(1,604,000)		(1,604,000)
	(10,572,000)		(10,572,000)
1,318,000			1,367,000
		114,000	(114,000)
15,000			
<u>\$18,410,000</u>	<u>\$152,253,000</u>	<u>\$ 114,000</u>	<u>\$187,923,000</u>

THE SPERRY AND HUTCHINSON COMPANY

NOTES TO FINANCIAL STATEMENTS

1—ACCOUNTING POLICIES

Marketable securities:

Marketable securities are stated at cost, less amortization of bond premium, plus accrued interest.

Inventories:

Inventories consisting principally of redemption merchandise are stated generally at the lower of average cost or market.

Investment in subsidiaries:

The investment in subsidiaries is stated at cost adjusted to reflect the Company's equity in earnings and losses since acquisition or formation (less dividends received). At January 3, 1970 the amount of the investment exceeds the equity in underlying net assets by approximately \$28,224,000. In the opinion of management, this excess does not require amortization.

Property, improvements and equipment:

Property, improvements and equipment are stated at cost. The Company's depreciation policy is to provide for retirement of property at the end of its estimated useful life, determined on the sum-of-the-years digits method.

Liability for stamp redemption:

The Company records stamp service revenue and provides for the cost of redemptions at the time stamps are furnished to licensees. The provision for redemption consists of estimates, based upon current operating experience, of the cost of merchandise and the related redemption service expenses required to redeem 95% of the stamps issued. At January 3, 1970, the liability for stamp redemptions of \$211,750,000 included \$164,698,000 for the cost of merchandise and \$47,052,000 for redemption service expenses representing all other direct expenses related to redemptions. This liability is classified wholly as a current liability although some portion of the stamps provided for may not be presented for redemption within one year.

Since redemption service expenses are deducted for Federal income tax purposes as actually incurred, the future tax benefit attributable to the difference between the provision for redemption service expenses and the actual expense incurred in each period has been recognized in the financial statements.

Other liabilities:

The Company received \$6,000,000 in 1968 in settlement of an antitrust claim relative to its operations in California. This amount is included in current liabilities pending determination of future operational requirements in California.

Pension plan:

Under the terms of the Company's retirement plan, noncontributory retirement benefits are provided for eligible employees. The Company's contributions for current costs are based upon actuarially accepted methods and all past service costs have been funded at the end of the year.

Earnings per share:

Earnings per share of common stock (including common stock equivalents) are after dividend requirements on the 6% cumulative preferred and the cumulative preference stock and are based on the average number of shares outstanding (assuming exercise of stock options). Earnings per share of common stock (assuming full dilution) are after dividend requirements on the 6% cumulative preferred stock and assume conversion of all of the outstanding cumulative convertible preference stock.

2—STOCKHOLDERS' EQUITY

The 6% cumulative preferred stock is redeemable at the option of the Company in whole or in part at \$105 per share plus accrued dividends.

The cumulative convertible preference stock (\$3.00 annual dividend) has a liquidation preference of \$60 per share (totaling \$31,688,000 at January 3, 1970) and is redeemable at the option of the Company at a price of \$63 per share in 1974 declining to \$60 in 1979. Each share of the stock has the same voting rights as the common stock and is convertible at any time into 1.42 shares of common stock.

Under the stock option plan approved by the stockholders, 512,333 shares of common stock are reserved for stock options. In accordance with the plan, option prices are equivalent to the fair market price of the stock on the date of the grant. At the beginning of the period options covering 284,551 shares were outstanding. In 1969 options for an additional 61,650 shares were granted, options for 5,095 shares were forfeited, and options for 49,183 shares were exercised for which the Company received \$1,367,000.

3—COMMITMENTS

Minimum rentals under property leases, excluding payments of real estate taxes, insurance premiums, other expenses required under certain leases, and amounts which may become payable under renewal options, in effect as of January 3, 1970, aggregated approximately \$26,230,000, and are summarized below according to lease expiration period:

	New York Executive Offices	Other (Principally Redemption Centers)	Total
1970-1974	\$6,994,000	\$12,144,000	\$19,138,000
1975-1979	5,781,000	666,000	6,447,000
1980-1984	541,000	104,000	645,000

Such rental expense in 1969 approximated \$8,400,000 excluding payments of real estate taxes, insurance and other expenses.

4—FEDERAL INCOME TAXES

Federal income tax returns of the Company have been examined by the Internal Revenue Service and settled for all years through 1961. The Company believes that adequate provision has been made in its accounts for Federal income taxes for 1969 and prior years.

Returns for 1962 and subsequent years are presently being examined by the Internal Revenue Service which has indicated that, with respect to these returns, it is reviewing the reasonableness of the Company's estimated stamp redemption rate. For more than 40 years, the Company's financial statements and Federal tax returns have been prepared and the returns filed and accepted on the basis that 95% of the stamps issued will ultimately be redeemed and it is the Company's opinion that the long established and consistently employed 95% redemption rate is correct and that this can be successfully demonstrated.

5—CORPORATE ACQUISITIONS

During 1969 the Company acquired the assets and business of The W. H. Gunlocke Chair Company. The transaction has been accounted for as a purchase and a new subsidiary corporation has been formed to operate the Gunlocke business.

Also in 1969 the Company acquired David M. Lea and Company, Incorporated through an exchange of stock. The transaction has been treated as a pooling of interests and, accordingly, the comparative figures for 1968, included in the accompanying financial statements, have been restated to include the Lea accounts.

6—SUPPLEMENTAL INFORMATION

	1969	1968
Market value of marketable securities	\$144,261,000	\$143,461,000
Allowance for doubtful amounts:		
Current	\$ 630,000	\$ 785,000
Long-term	447,000	460,000
Comparative earnings of subsidiaries:		
Interior Furnishings Group	\$ 6,338,000	\$ 6,016,000
The State National Bank of Connecticut	2,471,000	1,832,000
Other domestic operations	(27,000)	379,000
Foreign subsidiaries	(604,000)	(843,000)
	\$ 8,178,000	\$ 7,384,000
(Comparative financial statements of the Interior Furnishings Group and of The State National Bank of Connecticut are presented in condensed form on pages 40 and 41.)		
Deferred Federal income taxes (included in Federal taxes on earnings from operations)	\$ 1,282,000	\$ 1,808,000
Depreciation and amortization	\$ 4,156,000	\$ 4,372,000
Pension plan current costs	\$ 1,615,000*	\$ 1,350,000

*Effective in 1970, the Company has modified the retirement plan to increase future benefits which will result in a small increase in future annual pension plan expense and an unfunded past service cost of \$1,650,000.

THE INTERIOR FURNISHINGS GROUP

CONDENSED COMBINED BALANCE SHEET

(In Thousands of Dollars) December 31, 1969 and 1968

	1969	1968
ASSETS		
Current assets		
Cash	\$ 5,749	\$ 6,666
Accounts receivable	28,520	23,009
Inventories and prepaid expenses	41,021	35,453
Total current assets	75,290	65,128
Property, plant and equipment	34,674	22,549
Other assets	2,557	869
	<u>\$112,521</u>	<u>\$ 88,546</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Notes payable and current maturity of long-term debt	\$ 6,681	\$ 1,015
Accounts payable and accrued liabilities	14,331	11,027
Accrued Federal taxes on income	667	1,378
Total current liabilities	21,679	13,420
Accrued pension benefit	938	780
Long-term debt	14,522	15,602
Deferred Federal taxes on income	2,402	2,395
Total liabilities	39,541	32,197
Stockholder's equity	72,980	56,349
	<u>\$112,521</u>	<u>\$ 88,546</u>

CONDENSED COMBINED STATEMENT OF INCOME

(In Thousands of Dollars) Years Ended December 31, 1969 and 1968

	1969	1968
Net sales	\$156,951	\$129,847
Cost and expenses		
Cost of goods sold	118,300	98,689
Selling, advertising and administrative expenses	21,702	15,631
Depreciation, depletion and amortization	3,111	2,399
Interest expense—net	1,086	826
Provision for Federal taxes on income	6,414	6,286
	150,613	123,831
Net income	<u>\$ 6,338</u>	<u>\$ 6,016</u>

The combined financial statements of The Interior Furnishings Group include the accounts of Bigelow-Sanford, Inc., Lea Industries, Inc., and The Gunlocke Company, Inc., all wholly-owned subsidiaries of The Sperry and Hutchinson Company. The acquisition of The Gunlocke Company, Inc. in 1969 was accounted for as a purchase and, accordingly, Gunlocke's accounts are not included in the 1968 combined accounts. There were no significant intercompany transactions.

Inventories are stated at the lower of cost or market. Bigelow-Sanford, Inc.'s cost is determined on the last-in, first-out method for wool and certain other carpet materials in all inventory categories, and on the first-in, first-out method for other inventories.

Bigelow's, Gunlocke's, and Lea's plant and equipment are stated at cost and depreciation is provided using principally the straight-line and 150% declining-balance bases over estimated useful lives.

Pension costs of approximately \$901 in 1969 and \$530 in 1968 were charged to income in those years. At December 31, 1969, there was unfunded past service cost of approximately \$3,103 which will be charged to income principally over 30 years.

The agreements under which the long-term notes payable of Bigelow and Lea were issued contain certain restrictions with respect to the payment of cash dividends and the purchase or redemption of common stock. Approximately \$14,655 of stockholder's equity was free of such restrictions on December 31, 1969.

THE STATE NATIONAL BANK OF CONNECTICUT

CONDENSED STATEMENT OF CONDITION

(In Thousands of Dollars) December 31, 1969 and 1968

ASSETS	1969	1968 (restated)
Cash and due from banks	\$ 36,535	\$ 61,847
Investment securities	63,493	73,942
Loans	250,293	193,825
Banking premises and equipment	9,333	9,364
Other assets	3,996	4,304
	<u>\$363,650</u>	<u>\$343,282</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits	\$329,664	\$314,236
Other liabilities	9,144	6,818
Total liabilities	<u>338,808</u>	<u>321,054</u>
Reserve for possible loan losses	3,998	3,348
Stockholders' equity	20,844	18,880
	<u>\$363,650</u>	<u>\$343,282</u>

CONDENSED STATEMENT OF INCOME

(In Thousands of Dollars) Years Ended December 31, 1969 and 1968

	1969	1968 (restated)
Operating income	\$ 23,067	\$ 19,156
Operating expenses	<u>19,569</u>	<u>17,002</u>
Income before income taxes and securities gains	3,498	2,154
Applicable income taxes	1,041	336
Income before securities gains	2,457	1,818
Securities gains less applicable income tax effect	14	14
Net income	<u>\$ 2,471</u>	<u>\$ 1,832</u>

Investments of the Bank are valued at cost less amortization of bond premium. The market value of the portfolio was \$60,928 and \$74,747 at December 31, 1969 and 1968, respectively.

Banking premises and equipment are at cost and it is the Bank's policy to provide for depreciation over the estimated useful lives.

In the normal course of banking operations, there are outstanding various commitments and contingent liabilities such as commitments to extend credit, future contracts, guarantees, etc., which are not reflected in the above financial statements. The Bank does not anticipate losses as a result of these transactions.

Pension costs of approximately \$302 in 1969

and \$275 in 1968 were charged to operations based upon an actuarially accepted method.

In accordance with new regulations of the Comptroller of the Currency issued in 1969, a portion of the amount transferred to the reserve for possible loan losses has been charged to operating expenses and the balance charged against stockholders' equity. Previously the amount transferred to the reserve had been treated as a non-operating deduction. The reserve for possible loan losses has been separately classified in 1969; heretofore it had been treated as a reduction of loans receivable. Further, in 1969 amounts previously included in demand deposits have been classified as other liabilities. Comparative figures for 1968 have been restated to conform with the current year's treatment of these items.

THE SPERRY AND HUTCHINSON COMPANY

TEN YEAR REVIEW (Dollars Expressed in Thousands, Except Per-Share Figures)

	1969	1968	1967	1966
OPERATING ITEMS				
Domestic stamp service revenue	\$361,988	\$340,087	\$329,276	\$335,036
Depreciation and amortization expense	4,156	4,372	4,517	4,644
Federal taxes	27,109	23,571	20,078	19,914
Earnings from domestic stamp operations	29,477	27,037	24,287	24,997
Earnings (losses) from subsidiary operations	8,178	7,384	5,720	24
Net earnings	37,655	32,521	30,007	25,021
Net earnings per share:				
Common stock including common stock equivalents	3.31	2.82	2.61	2.33
Common stock assuming full dilution	3.24	2.78	2.58	—
FINANCIAL ITEMS				
Cash and marketable securities	169,077	152,497	127,456	192,287
Property, improvements and equipment (net)	23,469	24,049	26,407	25,293
Total assets	466,753	426,013	393,232	348,496
Liability for stamp redemptions	211,750	201,363	191,744	183,649
Expended for property, improvements and equipment	3,961	2,660	6,765	7,160
Common stockholders' equity	181,256	154,798	132,932	102,998

NOTE: Financial information for 1967 and 1968 has been restated for the acquisition of The State National Bank of Connecticut in 1968 and Lea Industries, Inc. in 1969 accounted for as poolings of interests. Prior years have not been restated as the amounts were not significant.

Net earnings in 1968 are after an extraordinary charge of \$1,900,000, equivalent to \$.18 per share on common stock including common stock equivalents and \$.16 per share assuming full dilution.

<u>1965</u>	<u>1964</u>	<u>1963</u>	<u>1962</u>	<u>1961</u>	<u>1960</u>
\$330,610	\$322,296	\$304,555	\$296,501	\$268,465	\$230,477
5,612	6,494	6,204	5,851	5,583	4,471
20,169	20,788	15,537	15,731	16,592	14,027
24,163	22,062	15,611	14,918	16,261	13,613
(994)	(2,496)	(1,412)	240	(1,060)	(398)
23,169	19,566	14,199	15,158	15,201	13,215
2.16	1.82	1.31	1.40	1.40	1.21
—	—	—	—	—	
174,019	158,157	128,029	116,729	95,831	75,835
23,332	24,560	28,923	29,168	27,841	23,484
322,073	302,837	277,249	261,356	236,067	204,858
175,750	170,150	163,429	159,213	146,101	129,869
4,427	4,071	6,439	7,217	10,474	8,863
87,953	72,777	60,154	53,348	45,134	36,933

Report of Independent Certified Public Accountants

To the Stockholders and Board of Directors of
The Sperry and Hutchinson Company

We have examined the balance sheet of The Sperry and Hutchinson Company as of January 3, 1970, the related statements of earnings, changes in stockholders' equity, and source and application of funds for the fifty-three weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Bigelow-Sanford, Inc. and The State National Bank of Connecticut as of December 31, 1969, and for the year then ended, such statements having been examined by other independent public accountants whose unqualified reports have been furnished to us. Our opinion, insofar as it relates to the amounts included for Bigelow-Sanford, Inc. and The State National Bank of Connecticut, is based solely upon such reports.

In our opinion, the statements of The Sperry and Hutchinson Company identified above present fairly the financial position of The Sperry and Hutchinson Company at January 3, 1970, the results of its operations and the source and application of its funds for the fifty-three weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HURDMAN AND CRANSTOUN, PENNEY & CO.

New York, New York
March 2, 1970

OFFICERS

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Chairman of the Board

FRANK P. ROSSI
President

EDWIN J. BEINECKE, JR.
Chairman of the Finance Committee

FREDERICK A. COLLINS, JR.
Executive Vice President

EUGENE R. BEEM
Vice President, Economics

WALTER E. BRUNAUER
Vice President, Marketing Promotions

A. P. BERNSTEIN
Vice President, Finance and Treasurer

PETER A. COOPER
Vice President, Corporate Services

MURRAY C. FLETCHER
Vice President, Incentive Operations

C. JOSEPH GENSTER
Vice President, Diversification

REUBEN D. HAMLET
Vice President, National Sales Operations

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New York, New York*

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*The Sperry and Hutchinson Company
The Sperry and Hutchinson Building
330 Madison Avenue
New York, New York 10017*

S&H GREEN STAMPS

REGIONAL OFFICES

EAST CENTRAL:
7601 Second Avenue
Detroit, Michigan 48202

EASTERN:
Route 27 & Vineyard Road
Metuchen, New Jersey 08840

NORTH CENTRAL:
5901 Butterfield Road
Hillside, Illinois 60162

NORTHEASTERN:
30 Superior Drive
Natick Industrial Park
Natick, Massachusetts 01760

SOUTHEASTERN:
Eleven Corporate Square
Atlanta, Georgia 30329

SOUTHWESTERN:
P.O. Box 11128
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Fort Worth, Texas 76110

WESTERN:
900 Dubuque Avenue
South San Francisco, California 94080

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East Point, Georgia 30044

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Hillside, Illinois 60162

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London, W.1, England*

INTERIOR FURNISHINGS

BIGELOW-SANFORD, INC.

140 Madison Avenue
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140 Madison Avenue
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CENTRAL:

Merchandise Mart
Chicago, Illinois 60654

WESTERN:

1355 Market Street
San Francisco, California 94103

Plant Locations

Belton, South Carolina
Calhoun Falls, South Carolina
El Segundo, California
Landrum, South Carolina
Lyerly, Georgia
Summerville, Georgia
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International Subsidiaries and Affiliates

Bigelow-Canada, Ltd., Ste. Agathe, Canada
Bigelow-Nobel Teppichboden GmbH, Bad Hersfeld, West Germany
Bigelow-Sanford A.G., Chur, Switzerland
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Buffalo, New York 14202
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4 New York Plaza
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REGISTRAR

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THE SPERRY AND HUTCHINSON COMPANY

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